

806 KAR 2:088. Verification of risk location systems.

RELATES TO: KRS 91A.0804, 91A.0806, 304.2-100, 304.2-310, 304.3, 304.10-030, 304.10-160

STATUTORY AUTHORITY: KRS 91A.0806(1), EO 2008-507

NECESSITY, FUNCTION, AND CONFORMITY: EO 2008-507, signed June 6, 2008, and effective June 16, 2008, created the Department of Insurance, headed by the Commissioner of Insurance. KRS 91A.0806(1) requires the Office of Insurance to promulgate administrative regulations establishing criteria for the verification of risk location systems and programs. This administrative regulation establishes the risk location verification criteria, sets forth the process to obtain and renew verification, and sets forth the process for revocation of verification. This administrative regulation also establishes the process for an insurer with limited risks to request an order allowing an alternative form of risk location.

Section 1. Definitions. (1) "Broker" is defined in KRS 304.10-030.

(2) "Department" means the Department of Insurance.

(3) "Insurance company" means an entity holding a certificate of authority in accordance with KRS Chapter 304.03.

(4) "Risk location system or program" is defined in KRS 91A.0802(2).

(5) "Verified entity" means a vendor, insurance company or surplus lines broker that has received an order of verification from the Department of Insurance.

(6) "Verified risk location system" means a risk location system or program that is the subject of an effective order of verification issued by the department that has not expired or otherwise been revoked.

Section 2. Application for Verification. (1) A vendor, insurance company, or broker seeking verification of a risk location system or program shall submit:

(a) A complete Application for Verification of Risk Location System or Program;

(b) An application fee in accordance with KRS 91A.0806(2);

(c) A complete copy of the risk location address data set provided in accordance with the Verification Data Manual;

(d) A written explanation of how the risk location system or program is updated and the frequency with which the system or program is updated; and

(e) A written certification that the risk location system or program uses the municipal and county boundary data available from the Commonwealth Office of Technology that is based upon municipal and other filings with the Secretary of State as its sole source of boundary data.

(2) Upon receipt of the information required in subsection (1) of this section, the department shall:

(a) Review the application and documents submitted;

(b) Test the accuracy of the risk location system or program's address data set by identifying a random sampling of address data to determine if the data accurately falls within or outside of a Kentucky taxing entity; and

(c) Issue a preliminary report to the applicant of the results of the test.

(3) Within twenty (20) days from the date of issuance of the preliminary report, the applicant shall:

(a) Review the preliminary report;

(b) Provide the department with a written response to a contested finding; and

(c) Provide the department with documentation to support the response to a contested find-

ing.

(4) The department shall issue a final report of the results of the test within:

(a) Thirty (30) days from the date of receipt of a written response from the applicant; or

(b) Thirty (30) days from the date of issuance of the preliminary report if a response is not received in accordance with subsection (3) of this section.

(5)(a) The department shall issue an order verifying the risk location software or program if:

1. The results of the test demonstrate that the risk location system or program achieved an overall level of accuracy of at least ninety (90) percent in identifying the city or county within which an address is located; and

2. The risk location system or program is updated at least quarterly with regard to changes in municipal and county boundary data, street addresses and zip codes.

(b) The order shall expire automatically three (3) years from its effective date unless otherwise revoked.

Section 3. Continuation of Verification. A verified entity seeking to continue an order of verification of a risk location system or program shall, at least six (6) months prior to the date the order of verification is scheduled to expire, submit an application and comply with the application process set forth in Section 2 of this administrative regulation.

Section 4. Alternative Option for Insurers and Brokers with Limited Risk Locations. (1) An insurance company or surplus lines broker seeking an order from the commissioner allowing for an alternative means of determining risk location pursuant to KRS 91A.0806 shall submit the following to the department:

(a) Documentation demonstrating that the insurance company or surplus lines broker has 200 or less risk locations in Kentucky;

(b) A written explanation of the method that will be used to determine risk location; and

(c) A risk location address data set including:

1. Street number;

2. Street name;

3. City;

4. State;

5. Zip code;

6. Notation indicating if the address is inside or outside of an incorporated city boundary; and

7. If inside an incorporated city boundary, identification of the taxing entity.

(2) Upon receipt of the information required in subsection (1) of this section, the department shall:

(a) Review the information provided; and

(b) Test the accuracy of the risk location address data set by identifying a random sampling of address data to determine if the data accurately falls within or outside of a Kentucky taxing entity.

(3) The department shall issue an order permitting the use of an alternative method of determining risk location if the results of the review determine:

(a) The insurance company or surplus lines broker has a limited number of risk locations, not exceeding 200 in Kentucky; and

(b) The method of determining risk location will achieve an overall level of accuracy of at least ninety (90) percent in identifying the city or county within which an address is located.

(4) The order issued pursuant to subsection (3) of this section shall expire automatically three (3) years from its effective date unless otherwise revoked.

(5)(a) On or before January 31 of each year, an insurance company or surplus lines broker that has been issued an order pursuant to subsection (3) of this section, shall certify to the department that it has 200 or less risk locations in Kentucky.

(b) Notwithstanding subsection (4) of this section, an order issued pursuant to subsection (3) of this section shall be revoked if:

1. An insurance company or surplus lines broker fails to certify that it has 200 or less risk locations in Kentucky in accordance with paragraph (a) of this subsection; or
2. An insurance company or surplus lines broker has more than 200 risk locations in Kentucky.

Section 5. Revocation of Order of Verification or Order of Alternative Risk Methodology. (1) If the department has reason to believe after an investigation pursuant to 304.2-100, audit or investigation under KRS 91A.0804, examination of an insurer through 304.2-310 or examination of a surplus lines broker pursuant to 304.10-160, that a verified risk location system or program no longer meets the requirements for verification set forth in Section 2(5) of this administrative regulation, the department shall request that the verified entity, insurance company or surplus lines broker provide a risk location address data set as set forth in Section 2(1)(c) within thirty (30) days of the request.

(2) If the department has reason to believe after an investigation pursuant to 304.2-100, audit or investigation under KRS 91A.0804, examination of an insurer through 304.2-310 or examination of a surplus lines broker pursuant to 304.10-160, that an insurance company or surplus lines broker no longer meets the requirements for an alternative risk methodology set forth in Section 4 of this administrative regulation, the department shall request that the insurance company or surplus lines broker provide a risk location address data set as set forth in Section 4(1)(c) within thirty (30) days of the request.

(3) Upon receipt of a risk location address data set in accordance with subsections (1) and (2) of this section, the department shall test the accuracy of the data received to determine the accuracy in identifying the city or county within which an address is located. If the test results demonstrate an overall level of accuracy of less than ninety (90) percent, the department shall issue a notice of deficiency to the verified entity.

(4) (a) Within ten (10) days from the date of the notice of deficiency, the verified entity shall provide the department with the names and addresses of all insurance companies and surplus lines brokers in Kentucky utilizing the verified risk location system.

(b) The department shall provide a copy of the notice of deficiency to all insurance companies and surplus lines brokers identified by the verified entity in accordance with paragraph (a) of this subsection.

(5) A verified entity, insurance company or surplus lines broker shall have sixty (60) days from the date of a notice of deficiency to:

- (a) Correct the deficiency; and
- (b) Submit a risk location address data set to the department demonstrating that the deficiency has been corrected.

(6) The department shall issue an order revoking its order of verification if:

- (a) The verified entity, insurance company or surplus lines broker fails to provide the information requested in accordance with subsection (1) of this section; or
- (b) The verified entity, insurance company or surplus lines broker fails to demonstrate that the deficiency has been corrected in accordance with subsection (5) of this section.

Section 6. Listing of Verified Risk Location Systems. The department shall post a listing of verified risk location systems on its Web site. The listing shall include: (1) The name of the

verified risk location system;

- (2) The effective date of the order of verification;
- (3) The expiration date of the order of verification; and
- (4) The date the order of verification was revoked, if applicable.

Section 7. Incorporated by Reference. (1) The following material is incorporated by reference:

- (a) "Application for Verification of Risk Location System or Program", 11/2008; and
- (b) "Verification Data Manual", 1/2009.

(2) This material may be inspected, copied, or obtained, subject to applicable copyright law, at the Department of Insurance, 215 West Main Street, Frankfort, Kentucky 40601, Monday through Friday, 8 a.m. to 4:30 p.m. This material is also available on the department's internet Web site at: <http://insurance.ky.gov>. (35 Ky.R. 1965; 2252; eff. 5-1-2009.)